Hospital Systems:

How to Fight Goliath and Win!

Table of Contents

Speakers

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Introduction

When a community is confronted by the conversion of its local nonprofit hospital either by a for-profit or nonprofit, it can be an intimidating prospect. Frequently large hospital systems with significant resources are those that are attempting to acquire the facility. Increasingly stand alone facilities are becoming a thing of the past as more systems attempt to gain larger market share. Attached as Appendix A is a listing of the largest systems in the country.

With large hospital systems come huge budgets, media strategies, political savvy, and a track record of experience in other communities where they have been successful. Communities are often unprepared for the challenges posed by a hospital conversion and do not have the kind of experience or expertise to successfully fight a large system. But, as these two cases illustrate, this is not always the case.

Case Studies

Daniel Freeman Marina Hospital

Tenet Healthsystem DFH, Inc. (Tenet), a division of Tenet Healthcare Corporation, the for-profit operator of more than 100 hospitals across the country, purchased Daniel Freeman Marina Hospital in December 2001. Less than six months after the sale, Tenet took the surrounding communities by surprise and announced that it was going to close the facility. That announcement provided the impetus for the creation of Save Our Marina Hospital (SOMH), a coalition of community, neighborhood, and health organizations, hospital employees and residents in the communities of Marina del Rey, Westchester, Del Rey, Mar Vista, Playa del Rey, Venice, Playa Vista, Los

Angeles International Airport, Culver City, El Seguno, Manhattan Beach, Santa Monica and Pacific Palisades.

Research conducted by SOMH revealed information on Tenet's history as National Medical Enterprises (NME), convicted of major Medicare and Medicaid fraud in the 1990s and ordered to pay $379 million. In 2002, Tenet was again in the news connected with fraud charges, only this time it settled for $56 million. SOMH compiled extensive research and news articles and made them available on its website at www.somh.org. For a sample of articles relating to Tenet, see Appendix B. In addition, SOMH compiled a substantial amount of information on its website, see Appendix C-1. SOMH also produced and distributed a brochure that outlined issues of importance to the community, see Appendix C-2.

One of the issues raised by Tenet was the utilization of Marina Hospital. Tenet argued that its vacancy rate was so high that it was unreasonable to keep the hospital open. Using the occupancy rates at Tenet's other hospitals as they were reported to the state, Consumers Union discovered that Marina Hospital had a similar occupancy rate compared to many of Tenet's other facilities in Los Angeles. In fact, if the rate of Marina was sufficient to close it, than many of Tenet's other facilities should be closed as well. Consumers Union's research was provided to public officials at a hearing on the proposed closure by the Los Angeles County Emergency Medical Services Agency, see Appendix C-3.

Community groups active in the conversion called upon the Attorney General to investigate whether Tenet was in compliance with the terms of the sale, in particular, whether it had conducted a comprehensive assessment and planning process within 90 days of the sale as was required. The Attorney General found

that Tenet had failed to comply with that condition and filed a preliminary injunction to halt the proposed closure. SOMH and other community and advocacy organizations filed an amicus brief, supporting the Attorney General's position and continued to maintain a strong vigilant presence over Tenet's activities. Nearly one year after announcing the closure, on April 7, 2003, Tenet changed its mind and proclaimed that it would keep the hospital open indefinitely, citing the community's involvement as being pivotal to its decision.

SOMH is credited with having played a large part in stopping the closure of Marina Hospital and protecting the delivery of health care services to the community. Its efforts have been recognized by U.S. Representative Jane Harmon, California State Senator Debra Bowen, State Assemblymember George Nakano, Los Angeles County Supervisor Yvonne Brathwaite Burke, and Los Angeles City Councilwoman Cindy Miscekowski.

Slidell Memorial Hospital

In late 2002 and early 2003, the community of Slidell, Louisiana came face-to-face with Tenet. Only this time, Tenet was hoping to buy the town's only public hospital, Slidell Memorial Hospital (and Tenet's only competition to its facility Northshore Regional Medical Center located less than 2 miles away) in this town of approximately 100,000 located about thirty miles from New Orleans.

Because of the legislation that created Slidell Memorial, residents had the opportunity to vote on whether the sale to Tenet should be permitted. To ensure its success at the polls, Tenet conducted a massive campaign including television, radio and newspaper ads and direct mailing to residents, spending more than $1 million. Some members of the community questioned whether the sale to Tenet would be in the best interest of the community and they formed an organization

dedicated to informing the public about the implications of the sale, Save Our Slidell Memorial Hospital (SOSMH). The community used resources such as those readily available on-line, recently published news articles, and other information to uncover Tenet's activities in other areas and raising serious questions about whether the sale should be approved. Examples of materials produced by Tenet and those distributed by SOSMH to respond to Tenet's assertions are attached as Appendix D-1.

As a result of internet research, the Slidell advocates contacted SOMH, the Los Angeles group that was working against Tenet's attempted closure of Marina Hospital. This alliance provided more resources to the Slidell community as experiences were shared and advice given on how best to succeed in their efforts to stop the sale. In addition, SOMH graciously made all of the research it gathered available to the members of the Slidell opposition group, making it possible for SOSMH to immediately make that information available to Slidell voters.

The information on Tenet was made available on the Slidell website at www.sosmh.org. Other research was distributed door-to-door, at community events, at local meetings and in newspaper advertisements. In addition, significant research on Tenet's pricing practices and quality history were provided at a public forum attracting hundreds of people. Appendix D-2 is a guide on how the research was conducted and Appendix D-3 contains a summary of the resources used.

The information gathered by the group was not only critical to inform the public about the implications of the sale but it was also persuasive. The public voted

against the sale 77% to 23% despite the fact that Tenet outspent it by more than $1,000,000.

Conclusion

The saying "the bigger they are, the harder they fall" may never have a more apt application. While community groups may be intimidated by the prospect of taking on a large hospital system, there are several advantages. First, large systems typically have long histories of their performance. Locating news reports, stock filings, pricing comparisons and other information can be very helpful in becoming educated and developing your strategy. Second, the larger the system, the more hospitals it has bought, meaning the likelihood is greater that other community groups have faced the same predicament. Reaching out to groups who have experience with the system elsewhere as in the example here may well increase your chances of success.